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Informal Settlements: Challenges and Opportunities from South-East Europe

Note by the Bureau of the Working Party on Land Administration

Summary

This document contains a summary of conclusions of a draft publication on informal settlements in South-East Europe, prepared jointly by the Working Party and the International Federation of Surveyors.

The draft publication examines the causes of informal housing development in South-East Europe and assesses the Government's policies to address this issue. Its purpose is to develop guidance which would support member States to address the issue of informal development.

It was discussed during the 75th meeting of the Committee of Housing and Land Management in October 2014.

The Working Party is invited to discuss and endorse the draft publication.

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I. Background

1. Informal urban development is not a new issue for Europe. The southern part of the continent has long dealt with this problem. However, over the last 25 years, informal settlements have become an increasingly important and urgent issue in the region of the United Nations Economic Commission for Europe (UNECE). The United Nations has used the term "informal settlements" to refer to: "i) residential areas where a group of housing units has been constructed on land to which the occupants have not legal claim, or which they occupy illegally; ii) unplanned settlements and areas where housing is not in compliance with current planning and building regulations (unauthorized housing)."[1] Similar definitions are used by the Organization for Economic Co-Operation and Development[2] and the World Health Organization.[3]

2. This began in the early 1990s as result of political and economic changes in Eastern Europe and former-Soviet countries coupled with rapid urbanization and uncontrolled, massive internal migration due to poverty, conflicts, marginalization and natural disasters. Informal settlements in the region (including Southern Europe) were further prompted by: a cumbersome permitting process for home improvements and modernization; a misaligned policies by the State and its failure to adopt pro-growth planning; complexities related to the development of modern land policies for the transition from centrally planned to market economies; and the difficulties of state agencies to implement measures in support of economic reforms. These difficulties were also reflected in: delays and confusion in the restitution of rights; inefficient, centrally driven and bureaucratic planning; corruption and a lack of transparency in land management, e.g., in construction permitting and other property related issues; and unfair and unrealistically high property taxation.

3. It is estimated that the annual loss caused by undeclared informal real estate is significant, therefore to address the issue of informal settlements in the ECE region, the ECE Committee on Housing and Land Management prepared a report, "Self-Made Cities: In Search of Sustainable Solutions for Informal Settlements (2009)". This publication describes the history of the development of informal settlements in the ECE region and examines the main characteristics of the phenomenon[4]. The current study presented in this document builds on the discussions initiated within the Self-Made Cities report.

II. The study objectives and methodology

4. The study was drafted by the Bureau of the ECE Working Party on Land Administration and the International Federation of Surveyors Task Force on Property and Housing.

5. It examines the causes of informal housing development in five countries of South-East Europe – Albania, Cyprus, Greece, Montenegro and the former Yugoslav Republic of Macedonia and assesses the government's policies to address the challenge. Based on the

[1]United Nations, "Indicators of sustainable development: Guidelines and methodologies", 2001, available at http://www.un.org/esa/sustdev/publications/indisd-mg2001.pdf.

[2]Organization for Economic Co-Operation and Development, "Glossary of statistical terms: informal settlements, 24 June 2014. Available at http://stats.oecd.org/glossary/

[3]World Health Organization, "People living in informal settlements", 24 June 2014. Available at http://www.who.int/ceh/indicators/informalsettlements.pdf.

[4] http://www.unece.org/fileadmin/DAM/hlm/documents/Publications/SelfMadeCities.pdf

assessment, the study formulates policy recommendations to the governments of these five countries. It also contains lessons learned and best practices that can be applied throughout the UNECE region.

6. The study is based on literature review and interviews. Interviews were conducted with politicians in relevant ministries (such as ministries of finance, environment, planning and agriculture), decision-makers in relevant state authorities (such as land registries, tax authorities and municipal authorities), local experts in the public and private sectors (such as civil engineers, planners and surveyors), the occupants of illegal buildings, non-governmental organizations (NGOs) and minorities, real estate agents, contractors and other relevant actors.

7. The full version of this draft publication is available at http://www.unece.org/hlm/landsession9.html.

III. Summary of results

8. The main cause for the development of informal settlements according to the study is inefficient public administration and weak real estate markets and at country level (Table 1 in Annex). When a state cannot ensure efficient provision of affordable housing and does not enable the private sector to do so, people turn to informal solutions when they wish to obtain housing or to improve their housing conditions. Cumbersome regulations for housing construction in Greece, Montenegro and the former Yugoslav Republic of Macedonia hinder formal housing construction. Greece also has weak private-property rights due to long-existing policies which promote state-owned land.

9. The following lessons can be learned from the study on informal development in the countries examined in this work:

- A clear and transparent structure of government institutions with roles and responsibilities clearly defined and well-coordinated between each other is necessary to tackle complex issues like informal development;
- Mechanisms should be implemented to legalize all types of properties where the current residents have long-standing tenure of the land;
- Mechanisms should be put in place, not only to legalize existing informal structures, but also to encourage new structures to be built in the formal sector;
- Legalization programmes are most effective when compliance with planning regulations is not a prerequisite for title issuance. The right to own property should not be dependent on the presence of informalities;
- Spatial planning and zoning should be undertaken in a coordinated manner, based on updated cadastral information, to both allow for legalization and discourage further informal development;
- Fees and penalties for legalization should be kept affordable, in terms of time and money, for all, including the poor and middle-class;
- Overly strict and expensive formalization procedures can severely limit the real estate market's ability to function;
- Formalization laws should be formulated and enforced in a way that protects the environment, encourages secure tenure and promotes economic growth;

- Property laws must be clear, and the Government should not, in most cases, retroactively enforce ownership rights over land that has been in the private property for an extended period of time;
- The private sector can contribute to surveying and quality control for legalization, but it must be regulated and its role must be clearly defined;
- Policies should encourage the proper training of all relevant experts;
- Planning amnesty programmes can be useful measures to bring large amounts of informal properties into the formal sector';
- Informal settlement's households need to be made aware of the advantages of legalization and the necessary procedures to legalize their property;
- The active involvement of informal settlement's households in the legalization process should be encouraged;
- Informal settlement's households must believe in the long-term viability of a formalization project in order to successfully participate in it;
- Affordable, legal housing should be available to reduce the demand for informal development;
- In natural-hazard-prone areas, controls to prevent degradation of the environment are necessary. This requires a professional, ethical system to ensure the enforcement of standards;
- Permitting procedures for any kind of further improvements of legalized properties should be simple, fast and affordable;
- Policies to discourage future informal development are just as important as policies to legalize current informal development. This includes well-made policy for construction permitting and regulation;
- A lack of social or affordable housing can exacerbate the problem of informal development;
- Strong state programmes for social housing lead to fewer slums and dilapidated social housing.

10. The first priority for the national economy of each country should be to develop real estate markets and strengthen private property rights. This could be done by:

- Decreasing or waiving associated with the legalization of properties;
- The simplification of planning regulations for owners who want to legalize their properties, in order for them to be in compliance; and
- Simplifying requirements for a survey of the existing informal construction, e.g., proposing a standardized delineation on orthophotos together with basic information about the total area and number of floors of the construction which may be sufficient for legalization.

11. In the near future, it may be proposed that countries agree on International Property Measurement Standards for the various types of real estate to better serve the markets and allow for credit, so that improved constructions can then be documented accordingly.

12. Planning and all other environmental and safety controls and improvements should follow property registration; all properties should be allowed to be mortgaged and transferred regardless their condition. Only then will the occupants of informal real estate

be able to obtain credit and proceed with the necessary improvements. Such improvements may be made by the new owner in case of sale.

13. There is also a need for flexible and pro-growth improvements to the existing planning, building permitting and zoning systems; mechanisms and plans for affordable housing and municipal financing provision for infrastructure improvements should be developed as well. It is therefore preferable that legislation not include any deadlines for legalization until parallel measures are adopted, such as flexible, pro-growth planning and construction permitting and the provision of affordable housing mechanisms. The contribution of the private sector is important but its role should be defined by clear rules.

Annex

Table 1
Identified causes of informal development

	Albania	*Cyprus*	*Greece*	*Montenegro*	*The former Yugoslav Republic of Macedonia*
Migration/urbanization	yes	no	yes	yes	yes
Centrally controlled/ bureaucratic planning	no	no	yes	yes	yes (now improving)
Ecological or other constitutional concerns about development	no	no	yes	yes	yes
Inadequate housing policy	yes	no	yes	yes	yes
Refugees/displaced persons	no	no	no	yes	yes
Policies regarding Roma and other minorities	yes	no	yes	yes	yes
Unclear property rights	yes	no	yes (in zones bordering forests)	yes	yes
Inefficient property registration/planning systems	yes	yes	yes	yes	yes
Costly/complicated construction permitting	no	no	yes	yes	no
Poverty	yes	no	yes	yes	yes
Insufficient housing provided by the real estate market	yes	yes	yes	yes	yes